

MEETING OF THE BOARD OF BANK ADVISORS

November 14, 2011

9:00 am

Department of Financial Institutions
324 South State Street, Suite 201
Salt Lake City Utah

Minutes

BOARD MEMBERS PRESENT:

Dave Brown, Doug Bringhurst, Leonell Castillo, Cindy Johnson, and Craig White.

DEPARTMENT OF FINANCIAL INSTITUTIONS STAFF PRESENT:

Commissioner Ed Leary, Paul Allred, Tom Bay, Shaun Berrett, Merisa Lanford, and Sonja Long.

OTHERS PRESENT:

Harley Jacobs, Capital Community Bank; Matt Packard, Central Bank; Curt Taylor, Heber Valley Bank; Doug DeFries, Bank of Utah; John Sorenson, Home Savings Bank; Phil Patten, Capital Community Bank.

1. Call Meeting to Order – Chairman Leonel Castillo

2. Minutes –

Dave Brown asked to have it added to the minutes that he was excused. Doug Bringhurst said that with that addition he would make the motion to accept the minutes. Harley Jacobs seconded the motion. It was unanimous.

3. Legislative Preview – Paul Allred

Paul gave out a handout on our legislation that is coming up. He went through the handout on derivatives. There was a brief discussion on this and the purpose for the bill request.

There will be other legislation that will not come from the department. He has heard of some need to address payday lending again. He thinks there might be more legislation again on foreclosure. Commissioner Leary said that those that want Gold as a legal tender will have changes to their bill that was passed last session.

Leonell Castillo asked Paul if he has seen any problems with the new lien process. Paul said that he hasn't heard of any. He asked if any of the banks have had problems with it. Paul said that no one has called to say that there are problems with it. If you find there are issues, please let Paul know.

Leonell asked everyone to introduce themselves.

4. Community Bank Trends – Tom Bay

Tom gave out his handout. He thanked Shaun for pulling this handout together. The numbers are from September 30, 2011. He said that when things start settling down we probably won't spend as much time on this handout. He went through his handout.

Leonell asked Tom if he had any updates to the regulatory side on how things are going in the last three months. Tom said that he thinks that there is a small amount of improvement from our side of things. The Federal Regulators are not opposed to upgrading and acknowledging the improvements.

5. Commissioners Comments – Commissioner Leary

The closing of SunFirst Bank was not an easy choice. Commissioner Leary was very proud of the crew that went to St George, mostly because he couldn't be there. It is a very long process to close an institution. Besides the inability to raise capital, part of the problem was overcoming negative press. Commissioner Leary said that there remains stress in the banking system. He tells everyone that community banks reflect their communities and the economy of their communities.

Commissioner Leary said that while he didn't think that any of our community banks were involved in leasing a number of our commercial and industrial banks are. Leasing is a very complicated and detailed area. We have a fairly in depth leasing rule in the department. It was written in the mid-eighties, with very few changes. One of the issues which has surfaced, you have a residual dependency of over 30% in some of those assets. Generally that has always been viewed as very bad and a poor quality lease at that, so we have added general prohibition against it. As we have picked up some large national companies that do some leasing of what he termed as very long term assets, we have had to craft a couple of exemptions to that rule. The rule is not real clear that the Commissioner has authority to grant exemptions, so Paul and Darryle will be working on an amendment to the rule that will grant more clearly the authority to exempt specific cases. Paul said that the proposed amendment will be sent to each of the community banks and industrial banks. Our approach is that we don't want to rewrite the rule and create more risk for smaller institutions getting involved in things they don't understand. We are putting the exemption in so that the Commissioner can have the review take place before he grants that exemption.

Because of workload Tom is keeping busy with community bank issues so we are moving our two largest commercial banks, Ally Bank and CIT Bank, back to Darryle's

jurisdiction. Part of the good news story, the industrial banks have survived this economy very well. The official move will take place at year end, but we are making that shift right now.

Leonell asked about the concern of the legislature encroaching on the department's budget. Does the department feel that it will be an issue going forward? Commissioner Leary said that he would hope not, but the review process at the legislature remains very thorough and very fine. It is almost something that the department's status with restricted funds and how to get more funds into the legislative process that will be visited every year. Commissioner Leary appreciates the banks, Howard, UBA, and the industrial banks because they keep pushing back on that. It is literally one that Commissioner Leary can't win as a department head, but he appreciates everyone's help in that. As far as our funding, we have treated fairly, three years ago we lost money out of the restricted fund account, but the last three summers they are looking at ways to make state government more efficient which in legislator minds means piling more divisions into fewer departments.

Leonell asked about Dodd-Frank he said that he was in Washington in the past week and what he is hearing from ABA is that it is going to take some time to get everything sorted out. He asked Commissioner Leary if he had any insight. Commissioner Leary said that his sense from the federal regulators is that rule writing requirement dates are slipping as they simply can't write them that fast. As those deadlines slip and those rules don't get written it makes it harder for everybody to know what the ground rules are going forward. He thinks that the CFPB has unique circumstances all by itself and it will probably be treated differently than others, but fundamentally we probably have to wait and see what 2012 brings us as far as change in Congress and change in administration and then we will probably know. As far as anything legislatively passing, CSBS doesn't think that anything will pass in 2011 or 2012.

Matt Packard asked if there was anything that bankers could get as a newsletter from the CFPB as to what compliance hot topics are out there or what the focus is at the time. Commissioner Leary said that he would ask.

6. Date of next meeting – February 13, 2012 – 9:00 am

7. Adjourn